

FINANCIAL NEWS

ARA profits rise 3% as revenues drop 2%

PHILADELPHIA—ARA Services Inc. reported a 3% net income rise to \$13 million for its second quarter ended April 2, compared to the same period a year ago. Revenues for the same period dropped 2% from \$721 million to \$706 million.

For the six months ending the same date revenues stayed about equal to the \$1.4 billion figure for the first half of 1981.

During both periods the company achieved higher earnings in its domestic food-service business and improvement in operating margins resulted in a 12% increase in income during the quarter on a 1% decline in revenues for this segment.

Three other business seg-

ments—health and family care services, distributive services, and textile rental and maintenance services all experienced higher earnings, while lower earnings were reported for the transportation and international food and refreshment segment.

During the quarter the company sold its textile rental business and related assets in the Detroit area, experiencing a pretax gain of \$1.9 million on the sale which is included in the results for 1982. However, operating results for the second quarter are not reflected in the figures. Complete divestiture of the textile company is expected by mid-spring.

Sea Galley net up 20% for first quarter of '82

MOUNTLAKE TERRACE, Wash.—Sea Galley Stores, operator of 39 Sea Galley restaurants in the Western States and five Family Fish House units in Maryland, reported net profit rose 20% to \$555,000 during the first quarter ended March 31 compared to the same period of the previous year.

Sales rose 106% to \$16 million during the quarter, according to Steven B. Dowan, the com-

pany's president and chairman.

Dowan attributed the quarter's performance to improved cost control in the company's western operations and increased sales in the East Coast stores. The five Family Fish House units are the remnants of a much larger chain Sea Galley bought last year, eventually converting some of the stores to Sea Galley units and selling the rest.

Pamex reports 24% profit jump

FORT WORTH—Pamex Foods, operator and franchisor of 24 Pancho's Mexican Buffet restaurants and owner-operator of four Spanish Galleon Seafood restaurants and two Emiliano's restaurants, reported net profit rose 24% to \$157,164 for the second quarter ended March 31, compared with the

same period of the previous year.

Sales rose 20% to \$5.78 million for the quarter, according to Hollis Taylor, president and chief executive officer.

For the first half net profit jumped 55% to \$286,027 on a 14.7% sales increase to \$11.3 million.

Mihaylo buys 20% of Swensen's

PHOENIX—Steve Mihaylo, founder and owner of Inter-Tel, a Phoenix-based manufacturer of phone systems and telephone switching devices, has acquired a 20% interest in Swensen's Ice Cream Company and has joined the board of directors.

Swensen's operates about 300 company-owned and fran-

chised ice cream stores in the United States and has operations in Mexico, Canada, Saudi Arabia, Brazil, Hong Kong, Singapore and Japan.

It is a full subsidiary of Red River Resources, a Phoenix-based holding company headed by entrepreneurs Karl Eller and Herbert Lewis.

Piccadilly 3rd qtr. net climbs 9%

BATON ROUGE, La.—Piccadilly Cafeterias Inc. reported profits up 9% to \$1.9 million for the third quarter ended March 31, compared to the year-ago period.

Revenues were up 13% to \$33.8 million.

For the first nine months, the

company reported revenues of \$105.6 million, up 13%, and profits of \$7 million, up 14%, compared to last year's period.

Piccadilly, which has 81 cafeterias, opened a new one in the third quarter in Phoenix and planned another one for the fourth quarter in Virginia.

Jerrico expands baked fish test

CHICAGO—Jerrico's Long John Silver's 1,250-unit seafood fast-food restaurant group is expanding its test of a baked fish platter into the Youngstown, Ohio, area this July, Jerrico chairman and president Warren Rosenthal told analysts here.

The baked cod platters are now in test in Lexington, where the company is headquartered, and in Corpus Christi and Springfield, Mo. But because

the baked product requires costly new equipment and remodeling of units, Jerrico has been expanding the test slowly. Any systemwide rollout would not be completed until two years from now "at the earliest," Rosenthal told the analysts.

Jerrico officials have previously said that baked fish items, which are meant to appeal especially to nutrition-conscious consumers, will account for some 30% of corporate earnings by 1986. In its most recent fiscal report, Jerrico said net in-

come for the third quarter ended March 31 was \$4.1 million on revenues of \$102.6 million.

Current advertising for the baked fish platter is built around the theme, "It's good. It's good for you." In-store merchandising includes nutritional information, such as a breakdown of the product's calories.

Meanwhile, Rosenthal was quoted as saying the chain has placed on the backburner plans for a new, so far unidentified restaurant concept the company has been developing internally for sometime now.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
ARA Services	3 mos. 6 mos.	4/2			\$706.800 1,400.00	- 2	\$13.000 26.500	3 - 7
Godfather's Pizza	3 mos.	4/4			9.38		1.370	
Piccadilly Cafeterias	3 mos. 9 mos.	3/31			33.80 105.60	13 13	1.900 7.000	9 14
Int'l King's Table	3 mos. 9 mos.	4/3			11.50 27.20	10 11	0.203 0.242	
Sea Galley Stores	3 mos.	3/31	\$16.00	106.0			0.555	20
Pamex	3 mos. 6 mos.	3/31 3/31	5.78 11.3	20.0 14.7			0.157 0.286	24 55

Source: Company earnings reports

—loss in corresponding period

*In millions

†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.



Efforts to spark new sales among the elderly have apparently paid off for Int'l King's Table.

King's Table shows 3rd qtr. profit rise

EUGENE, Ore.—International King's Table Inc. reported \$203,000 in profits for the third quarter ended April 3 compared to a loss of \$627,000 in last year's third quarter.

Third quarter revenues for the chain of 51 cafeterias was

\$11.5 million, up 10% over the year-ago period, the company said.

For the three-quarter, or 40-week, period, King's Table reported profits of \$242,000, compared to a \$1 million loss last year.

During the quarter, the company completed installing meat-carving stations and desert bars in all of the restaurants. This has helped spark new sales among the elderly, who account now for 37% of the firm's clientele.

Small restaurants may lose Federal aid

WASHINGTON—Reagan Administration regulators have retooled a controversial 1980 proposal which would have disqualified thousands of independent restaurant operators from Federal small business assistance.

Although industry leaders concede that the new approach represents an improvement over the original Carter Administration plan, it would still deny Small Business Administration loans and loan guarantees to many small food-service firms currently eligible for Fed-

erally subsidized financing and other types of aid.

Currently, S.B.A. rules employ a gross dollar sales yardstick to determine whether a restaurant or other type of firm qualifies as an eligible small business. Under the original Carter Administration plan that dollar volume standard would be dropped, and instead S.B.A. would count a company's employees to determine whether the firm is "small."

The 1980 formula would have denied S.B.A. eligibility to any restaurant with more than 25 employees, while taverns and other "drinking establishments" employing more than 15 workers would no longer qualify for Federal small business assistance.

That plan drew a particularly hostile reaction from the nation's fast-food franchisors who argued that the new S.B.A. size standards would virtually eliminate all possibility of Government loan guarantees to fledgling franchisees.

In response to prodding from the International Franchise Association, Congress directed S.B.A. to suspend implementation of the new standards and agency officials returned to the drawing boards.

The new standards issued last month by Reagan S.B.A.

regulators would allow eating places with as many as 100 workers to qualify as small businesses, while taverns with as many as 25 employees would continue to be designated "small."

Significantly, however, the agency refused to relax a separate provision of the new size standards plan which food-service leaders consider to be particularly discriminatory.

In taking its employee headcount, S.B.A. plans to make no distinction between full-time workers and part-timers—an approach that tends to artificially inflate the size of businesses in industries such as food service which employ a large proportion of part-time personnel.

In justifying this approach, agency officials said "it is difficult for the S.B.A. to require firms to distinguish between their part-time and full-time work forces."

Although they acknowledged that failing to distinguish between full- and part-timers would create "problems" for some industries, S.B.A. regulators said that "if employees are counted differently [such as on a full-time equivalency basis], it could entail substantial record keeping and paperwork problems for firms on the eligibility margin."

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1982 NRA SHOW ATTENDANCE EXCEEDS 85,000

Ted Balestreri, NRA convention committee chairman, cuts ribbon to kick off 1982 National Restaurant Association Show at Chicago's McCormick Place. Total registration at the Show (May 22-26) jumped from 82,893 in 1981 to 85,222. Ten more companies had show booths for a new total of 1,237. (Full Show coverage appears on Pages 66-100.)

NRA establishing vast 'grass roots' lobbying network

By Ken Rankin

WASHINGTON, D.C.—The National Restaurant Association is moving swiftly and dramatically to decentralize its Government lobbying activities through an ambitious new "grass roots" network of politically active restaurateurs.

Under the association's freshly retooled "political education" program, rank-and-file NRA members will be recruited from key Congressional districts to serve as the organization's front-line liaisons with Senators and Congressmen assigned to critical legislative committees.

The new "grass roots" action program, which was developed by NRA's Political Education Committee (PEC), does not involve any cutback in the association's traditional Washington-based lobbying activities. Rather, the PEC initiative is designed to add a new, politically potent dimension to NRA's ongoing efforts to influence Federal legislative and regulatory developments affecting the industry.

Once the new PEC member network is established, it will serve as "the foundation stone for all of our Government relations."

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Golden Corral blazing westward with latest acquisition

RALEIGH, N.C.—Golden Corral, in a deal that would dramatically push ahead its westward march across the Sunbelt, has agreed to acquire Oklahoma-based Sirloin Stockade.

The deal, which would double the size of 191-unit Golden Corral, is expected to be completed by the end of summer, said Wayman O. Leftwich Jr., senior vice president of the fast-growing

Sirloin Stockade purchase will double chain's holdings

budget steakhouse chain.

Golden Corral says it will run Sirloin Stockade's 193 units as a separate operation based in Oklahoma City and has named its own co-founder William Carl as chief executive officer of Sirloin

Stockade, replacing Ted Bruner.

Although the company may convert some stores to the Golden Corral concept, a company spokesman said it has no plans to introduce Golden Corral's unusual management style

into the 118 company-owned Sirloin Stockade group.

That management style, a unit manager investment plan reminiscent of the "fraction of the action" program once used

by Sambo's, is usually credited for Golden Corral's exceptional growth in units and sales.

The new deal comes on the heels of another Golden Corral acquisition. A company subsidiary recently bought the six North Carolina units of the Pennsylvania-based Oh! Brian's group of tablecloth barbecue restaurants.

(Continued on page 143)



Lawrence Ellman (left) president and chairman of Beefsteak Charlie's, signs new pact with Robert Brock of the Brock Hotel Corp.

Beefsteak Charlie's inks ShowBiz Pizza contract

NEW YORK—Beefsteak Charlie's, operator of a string of dinnerhouses along the Eastern Seaboard, signed on as a franchisee of ShowBiz Pizza Place, a pizza-and-video-game chain.

Beefsteak Charlie's plans to spend about \$20 million to build 25 ShowBiz units within a year, the companies said. Another 100 units are planned over the next five years.

Details of the franchise agreement were not disclosed. Typical ShowBiz franchises, however, go for \$25,000 per restaurant plus 4.5% of sales.

Beefsteak Charlie's is committed by the deal to build units in New York, New Jersey, Connecticut, Pennsylvania, Massachusetts and Maryland.

ShowBiz, an 80%-owned subsidiary of Brock Hotel Corp., operates 70 company-owned units, mostly in the South.

Succeeds chain's founder

Magruder takes reins at Casa Gallardo

By Rurick Telberg

ST. LOUIS, Mo.—Ron Magruder, once national operations director at General Mills' Red Lobster Inns, was named last month to succeed Ramon Gallardo as president and chief executive officer of the 12-unit Casa Gallardo Mexican dinnerhouse chain here.

Gallardo was moved up to the new post of chairman of the chain, which was developed from the restaurant he opened here in 1975 and later sold to the General Mills Restaurant Group in 1979.

"My primary involvement will be as a spokesman," said the 44-year-old Gallardo. "People feel more comfortable going to a restaurant when there is somebody they know behind the name."

As a restaurant chain founder who embodies the public image of his firm, Gallardo would be following in the footsteps of Harlan Sanders of Kentucky Fried Chicken, Ray Kroc of McDonald's and Stuart Anderson of Black Angus steakhouses.

The executive shift appears to indicate that the General Mills Restaurant Group, headed by president Joe Lee, is putting the machinery in place to accelerate Casa Gallardo expansion, a process which needs

the full-time, hands-on attention of a professional manager and the image-building and quality-control power of the founder combined.

Magruder, who is 34, had been vice president for international growth and development at the restaurant group since March 1981. His post at the overseas-scouting team which he participated in developing, was, for the time being, left vacant.

For 1½ years previously Magruder had been vice president and national director of op-

(Continued on page 143)



Ron Magruder

LATE NEWSBREAKS

European banks have extended Wienerwald restaurant group's debt repayment schedule, reportedly averting bankruptcy by the company. Wienerwald borrowed about \$111 million, mainly to finance its purchase of Lums and IHOP restaurants in the United States.

Ponderosa reported net profit down 10% to \$2.1 million for the first quarter ended May 20 compared with the same period last year. Bonanza reported a first quarter profit of \$15,000 compared to a \$60,000 loss last year.

DeNova Corp., Utica, Mich., franchisor of 155 Dog n Suds and B & K Root Beer restaurants, acquired Tastee Freez International from Topsy's International, Kansas City, Mo., for an undisclosed sum. Tastee Freez operated over 500 company-owned and franchised Tastee Freezes, Big Tee Burger and Big T Family Restaurants.

COMMODITIES

**Pork hits year's high;
Beef not far behind**

NRN Special Report

Pork has reached its high for the year at \$1.19 per pound for 14- to 17-lb. loins at the slaughterhouses in the Midwest. Beef is not far behind with 700-900 lb. of Choice grade selling at the slaughterhouse for \$1.17. Broilers, after a period of being significantly behind last year's prices, are now climbing. While Brazilian lobster tails and cod fillets are stable in price, Gulf Coast shrimp are in great demand and are posting higher prices.

Pork producers have reacted favorably to hog prices of nearly \$60 per hundredweight, which is the magic number this year, indicating profit for the producer. If prices hold, farmers will farrow heavily and early next year will be producing larger quantities of pork than are now coming from the farms. Until then, pork prices will continue high, although the usual yo-yo effect of price resistance and supply buildup will be alternating with lower prices and increased consumption.

Because beef producers have a much longer turnaround time between planning and sale of meat-ready animals—of about three years—continued high prices for beef are expected to continue through the middle of 1983, with short periods of heavier marketing and lowered prices. Broiler producers have begun to cut back, with current settings and placement of broiler chicks down about 3% from last year at this same time. As a result, broiler prices are beginning to climb, although they are not near 1982's earlier highs yet.

Maine lobsters continue at high prices and Alaska king crab, when it can be found, is at the highest prices in several years. But to balance this, prices of a number of popular food-service fish species have remained stable, even though imports are down over the past month or so.

Some Good News

Coffee prices for green beans dropped at the end of May in the New York City markets. Heavy production in Brazil and other coffee producing countries has provided heavy inventories held by members of the International Coffee Organization. Continued lowered demand throughout the summer could drop prices even further. If drops are sufficiently large (3¢-5¢ per pound) for long enough, it may trigger another round of drops in prices of roasted, ground coffee.

Rice prices are down 60%-62% from last year's high levels. There is a heavy inventory of rice in this country, so prices will probably remain low through the rest of the year. Wheat, given continued favorable weather and the high yield expected by the U.S. Department of Agriculture, will be a near record crop, although not as large as last year's. One big question overhang-

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PRICE MOVEMENT AT A GLANCE

	May 28 1981	April 28 1982	May 28 1982
Beans, green, Fancy cut 4s, canned, NW (6/10)	\$ 7.75-8.75	\$ 7.75-8.75	\$7.50-8.50
Beans, green Regular cut, frozen, NW (lb.)	\$ 0.42	\$ 0.47	\$ 0.47-0.50
Beef, Choice, 700-900 lb., Midwest (lb.)	\$ 1.02	\$ 1.13	\$ 1.17
Broccoli, fresh Salinas (14s)	\$ 6.00	\$ 4.50	\$ 4.50-5.00
Broilers, Grade A, icepack, NYC (lb.)	\$ 0.4459	\$ 0.4650	\$ 0.4831
Eggs, Grade A, large white, Chicago (doz.)	\$ 0.6575	\$ 0.635-0.64	\$ 0.585-0.59
Lettuce, iceberg, California (24s)	\$ 5.50-6.50	\$ 4.00-5.00	\$ 5.00-6.00
Pork loins, 14-17 lb., Midwest (lb.)	\$ 0.95	\$ 1.11	\$ 1.19
Rice, No. 2 milled, Arkansas (cwt.)	\$28.00	\$17.00-18.00	\$16.50-18.00
Shrimp, brown Gulf, frozen 16/20 ct. (lb.)	\$ 6.30	\$ 6.25	\$ 6.75

Source: NRN research

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

Bloch wins IFMA Golden Plate award

CHICAGO—Jacques Bloch, food-service director of New York's Montefiore Hospital & Medical Center, was presented with the International Foodservice Manufacturers Association's operator of the year Golden Plate award at IFMA's annual awards banquet in the Conrad Hilton Hotel last month. He has been a driving force in the health care food-service field for over 25 years. (See personality profile on Bloch, Page 14.)

Bloch won the award based on earlier secret balloting by food-service publication editors and last year's Silver Plate winners. The choice of an institutional director came as a surprise but was nevertheless a popular one due to Bloch's long years of dedicated service to the

food industry. "Jacques Bloch may not have been the name most known throughout the industry," was one comment echoed by others, "but he certainly deserves this honor and the recognition to an institutional leader shows the award is not merely a chain or restaurant one."

The early favorites for the award—based on their high public visibility—had been Silver Plate winners Ernest Renaud, president of Long John Silver's, and Thad Eure, president of General Mills' Creative Dining Systems.

Other Silver Plate winners honored at the banquet were Maxine Anderson, Stanford University food-service manager; Lt. Nicholas Diorio, naval food-service officer; John Dunfey, Dunfey Hotels ceo; Albert

**NRA board adopts measure
to kill beef grade changes**

By Charles Bernstein

CHICAGO—The National Restaurant Association's board of directors has unanimously adopted a resolution to consider eliminating beef grading entirely if the U.S.D.A. amends the beef grading standards again as seems likely.

"If the U.S.D.A. goes through with this," NRA Government relations committee chairman and incoming vice president Joe Lee told the board members meeting at the Chicago Marriott just before the NRA Show, "the whole grading system will be worthless as 90% of beef will be rated choice and the consumer will have no way of judging the real relative quality."

Jack Webb, chairman of the NRA's beef grading standards subcommittee, emphasized that the resolution was intended to give the NRA staff guidance in a contingency situation and "provides the flexibility" to take action if the new grading regulations are adopted. "We don't want to hamstring the staff," he said.

Webb earlier had told the NRA's Government relations committee that "if the cattlemen do prevail, the beef grading system will become meaningless and really should be abolished."

Lee said, "We're not going to take this lying down and there's a good chance we can still win the battle against these new beef grading proposals." He emphasized the NRA's role in publicly fighting the proposals, and a taped picture of NRA outgoing chairman Walter Conti's previous appearance on the NBC television network was shown in which Conti dramatized the industry's position.

A prime intent of the NRA
(Continued on page 144)



John Dankos, who took office as chairman and president at the National Restaurant Association's annual membership meeting, presents plaque to outgoing chairman Walter Conti (left) in recognition of Conti's outstanding service.

**Dankos elected NRA ceo;
Lee, vp; Machus, treasurer**

CHICAGO—The National Restaurant Association's membership approved the selection of John Dankos as 1982-83 chairman, president and in effect ceo on May 24, and he was promptly installed. (Full personality profile, page 17.)

Joe Lee, president of General Mills' restaurant group, received approval as NRA vice president, and Harris Machus, president of Harris Machus Restaurants in Michigan, as treasurer.

Earlier, Dankos paid tribute to outgoing NRA chairman Walter Conti, saying, "If we had an Academy Award in our industry, Walter Conti would get it for his totally professional performance all year under the toughest conditions."

Conti received a series of tributes by NRA and industry leaders all week and said that while he appreciates the praise, "it's time to get on with the business of the new administration."
(Continued on page 144)

**ShowBiz Pizza adds deli line
following successful market test**

TOPEKA, Kan.—Showbiz Pizza Place has added a line of delicatessen-style sandwiches to the menus in all 67 restaurants in 18 states following the "overwhelmingly successful testing in two markets," a company spokesman said.

The ham and cheese, turkey and submarine sandwiches are served either hot or cold. Prior to the rollout, Showbiz's menu was limited to pizza, hotdogs, a roast beef sandwich, soft drinks, beer and wine, salads, ice cream and cotton candy.

Showbiz promoted its new menu items with television, radio and newspaper ads and color newspaper inserts.

In the test stores, the sandwiches sold best at lunch, mostly to business people who stopped by for a meal and a few video games, said Bill Dryg, vice president and director of food standards and controls for the two-year-old chain.

Dryg said the sandwiches are selling at or above expected levels; one unit served 500 sandwiches the first day the ads appeared.

Showbiz Pizza Place, which is

80% owned by the Brock Hotel Corp., was one of the first restaurant chains to capitalize on the video game craze. The concept combines food with entertainment; the restaurants feature electronic games, giant-screen television and life-sized animated entertainers who provide music and comedy using compressed air and computer technology.

The first franchised unit opened this month; all other restaurants are company-owned and operated although a major franchising effort is under way.

**Braddock named exec vp
of Steak & Ale Corp.**

DALLAS—Marvin T. Braddock has moved up to executive vice president of corporate development for Steak & Ale, Bennigan's and Poppin' Fresh restaurants, the three chains in the Pillsbury-owned S & A Restaurant Corp.

In another move at the company's headquarters here, William R. Floyd was named vice president marketing at Bennigan's.

Braddock's position is a newly created one. He was most recently senior vice president for the restaurant group. In his new post, he will report directly to Hal Smith, S & A president. Norman Brinker, S & A chairman, last month took over as chairman and chief executive of Burger King, the wholly owned Pillsbury subsidiary based in Miami. Brinker replaced Louis P. Neeb, who resigned after top management changes at Burger King were made in April.

Burger King is not part of the S & A Restaurant Corp., however.